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Prime Minister's schedule, August 27

NIKKEI (Page 2) (Full)  
August 28, 2008

09:29  
Met State Minister for Consumer Administration Noda at the Kantei.  
Followed by former Special Assistance Yamatani.

12:12  
Met Deputy Chief Cabinet Secretary Futahashi.

13:04  
Met Finance Minister Ibuki, METI Minister Nikai, Economic and Fiscal Policy Minister Yosano, and Chief Cabinet Secretary Machimura.

14:30

Met Cabinet Intelligence Director Mitani.

15:08

Met British Ambassador Warren.

16:00

Met Chairman Miyaji of the ruling camp's parliamentary group "Council on the Iwo Jima Issue" and others. Later met with Indonesian Foreign Minister Hassan.

16:40

Met Vice Cabinet Minister Miyazawa, Nikai, and Assistant Deputy Chief Cabinet Secretary Saka. Miyazawa stayed behind.

17:33

Issued an official appointment to Special Assistant Tokai, with Machimura, deputy chief cabinet secretaries Shiotani, Iwaki, and Futahashi present. Tokai stayed behind.

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18:33

Returned to his official residence.

4) NGO head: Worsening feeling toward Japan possibly behind slaying of Japanese NGO worker

TOKYO SHIMBUN (Page 1) (Excerpts)  
August 28, 2008

(Furuta, Bangkok)

Following the discovery of the body of kidnapped aid worker Kazuya Ito outside Jalalabad, eastern Afghanistan, Tetsu Nakamura, a doctor who heads activities for the nongovernmental organization Peshawar-kai, said last evening: "The security situation and feelings toward Japan in Afghanistan have been growing worse. We had an inaccurate understanding of it. This kind of incident was unthinkable before." The Peshawar-kai has conducted activities in Pakistan and Afghanistan for more than 20 years.

Nakamura replied to questions by reporters before leaving an international airport in Bangkok, the capital of Thailand, to visit Jalalabad. Nakamura once said: "We have continued our activities, encouraged by the good feeling of Afghan people." Nakamura looked shocked, because worsening feeling toward Japan is considered to be behind the incident. Saying: "There might be some connection between the slaying and the moves by the Self-Defense Force," Nakamura pointed to Japan's refueling mission in the Indian Ocean and the issue of a dispatch of the Ground Self-Defense Force to Afghanistan.

The NGO returned about half of the 20 Japanese in Jalalabad to Japan this April due to the worsening security situation there. The group is planning to send the remaining Japanese members back to Japan by the end of the year. Ito was among them.

Nakamura indicated that the organization would return all Japanese staff as soon as by the end of this month, saying: "We must not allow more people to become victims."

Ito was giving agricultural advice to local residents. He was worrying about drought becoming more serious every year. Nakamura expressed his determination to continue the aid with local staff, remarking: "Although we return the Japanese staff for the sake of safety, we will abide by his hopes and will never stop the project."

5) Killing of Kazuya Ito a shock to Japanese NGOs; 9 NGOs now operating in Afghanistan may return to Japan

NIKKEI (Page 3) (Full)  
August 28, 2008

According to the Foreign Ministry, nine Japanese non-governmental organizations, including Peshawar-kai (headquartered in Fukuoka

City), have been operating in Afghanistan. Following the discovery of the body of kidnapped aid worker Kazuya Ito yesterday, Japanese NGOs are now starting to evacuate their aid workers to other countries. The impact of the incident unavoidably will affect their future operations.

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Peshawar-kai dispatched 10 aid workers, including Kazuya Ito, to Afghanistan. The group's director, Manji Fukumoto, told the press yesterday: "After consulting with Tetsu Nishimura, local representative of the aid workers, there is a possibility that some of our members may return home." He stressed that the group intends to continue its activities in Afghanistan.

The Association for Aid Relief, Japan (headquartered in Tokyo), which is involved with de-mining efforts from its base in Kabul, the capital of Afghanistan, immediately evacuated its two aid workers to India and Pakistan. Chief of Secretariat Yoshiaki Horie said: "We are deeply shocked, all the more because we have heard that Peshawar-kai has had good relations with the local population, since it has carried out aid activities for a long time."

The Japan International Cooperation Agency (JICA), which has dispatched the largest number of aid workers, 39, of all Japanese organizations in Afghanistan, announced that it would decide on responses after collecting information from local authorities and the Japanese embassy. According to JICA, two of its members who have provided agricultural support for local residents in Jalalabad are now standing by at home.

6) NGO worker's body found: Government may review personnel aid to Afghanistan

NIKKEI (Page 3) (Excerpts)  
August 28, 2008

The slaying of Kazuya Ito, a member of the nongovernmental organization Peshawar-kai, may press the Japanese government to review its future assistance in reconstructing Afghanistan. The government had envisioned that it would offer "visible aid" by Japanese aid groups, in addition to the ongoing refueling operation in the Indian Ocean, as part of support for the U.S.-led war on terror. The government is likely to be pressed to review this scenario.

Learning of Ito's death, Prime Minister Yasuo Fukuda criticized the crime last night, issuing this statement: "I feel resentment at the slaying of Mr. Ito, who had high aspirations and was working for the local people and with the local people." He then said: "I pray for the repose of his soul and offer my condolences to his family."

Before Ito's death was confirmed, Fukuda told reporters: "It is very regrettable that (Mr. Ito) was involved in an incident. But we will continue to make international contributions," indicating that Japan would continue to be involved in Afghan reconstruction.

Fukuda, though, said: "There must be other ways" of assistance. In a press conference yesterday morning, Chief Cabinet Secretary Nobutaka Machimura also suggested the possibility of reconsidering support activities in Afghanistan by members of the Japan International cooperation Agency (JICA) and private organizations, saying: "We must promptly discuss with persons concerned whether the ongoing assistance should be continued or should be scaled down."

7) High barrier to SDF dispatch

SANKEI (Page 2) (Abridged)  
August 28, 2008

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Kazuya Ito, a 31-year-old Japanese volunteer from a nongovernmental organization, has been found dead in the eastern part of

Afghanistan. This incident clearly shows the difficulty of assisting Afghanistan, where the security situation is worsening. "Japan remains committed to assisting with Afghanistan's reconstruction, maintaining and strengthening public security in that country, and contributing to the war on terror." With this, Foreign Ministry Press Secretary Kazuo Kodama stressed the government's Afghan aid stance. However, it is now becoming uncertain whether the Maritime Self-Defense Force's refueling mission in the Indian Ocean will be continued. As it stands, it seems difficult for the government to reach a conclusion on what kind of assistance is possible and effective.

"We will look into what is behind the incident and what caused the incident," Kodama told a press conference yesterday. "Based on our findings," he added, "we will work out a future course of action (for Afghan aid)." This means that the government cannot take countermeasures soon, because the group that killed Kodama has yet to state its demands or purpose at this point.

The MSDF's current refueling mission in the Indian Ocean, conducted under the Antiterrorism Special Measures Law, is set to terminate in January next year. However, the opposition parties, which hold a majority of the seats in the House of Councillors, are opposed to continuing the MSDF's refueling activities there. The ruling coalition of the Liberal Democratic Party and the New Komeito will therefore need to take a second vote in the House of Representatives to override the upper chamber's decision in order for Japan to continue the MSDF's refueling activities. Yet the New Komeito is strongly opposed to taking an override vote, so the MSDF's refueling mission cannot be expected to continue.

However, an LDP executive noted, "Japan, which depends on oil from the Middle East, is the largest beneficiary of the war on terror." A senior Foreign Ministry official also said, "If Japan alone pulls out, it means that Japan caved in to terrorism."

In June, the government sent a fact-finding survey team to Afghanistan in order to explore the feasibility of engaging the SDF in transportation activities in Afghanistan. This was also forgone due to the New Komeito's opposition. However, one government official anticipated that it could come up as a realistic option if the MSDF's refueling mission in the Indian Ocean is called off. However, it may safely be said that the hurdle is higher now as the incident this time is drawing public attention to the local security situation, which is going from bad to worse.

8) DPJ's Maehara: Support for Afghanistan extremely important

MAINICHI (Page 3) (Full)  
August 28, 2008

Democratic Party of Japan Vice President Seiji Maehara delivered a speech in Tokyo yesterday in which he said: "In view of national interests, support for Afghanistan is extremely important." He also indicated that the new Antiterrorism Special Measures Law authorizing the refueling mission in the Indian Ocean must not be extended and that the Air Self-Defense Force, now conducting activities in Iraq, should engage in airlift activities in Afghanistan instead.

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9) Placing high priority on war on terror, government to submit bill extending Indian Ocean refueling mission by one year

TOKYO SHIMBUN (Page 2) (Full)  
August 28, 2008

The government decided yesterday to submit to the next extraordinary Diet session to be convened on Sept. 12 a bill to extend the new Antiterrorism Special Measures Law (refueling law), scheduled to expire in January, by one year so that the Maritime Self-Defense Force will be able to continue its refueling operation in the Indian Ocean.

Prime Minister Yasuo Fukuda, in consideration of the fact that many

countries place high priority on the war on terror in and around Afghanistan, has concluded that the continuation of the refueling operation since 2001 is the most effective and safest way for Japan to contribute to the international community.

Based on the government's policy course, the ruling coalition informed the opposition bloc on Aug. 27 of its plan to submit a bill amending the law to the Diet. The government and ruling parties intend to begin deliberations on the bill in early or mid-October after taking care of a fiscal 2008 supplementary budget that includes measures against soaring crude oil and other commodity prices.

The opposition bloc is against the anti-terror bill. Chances are high that the opposition bloc, which holds a majority in the Upper House, will protract deliberations with the aim of blocking the Lower House readopting the legislation.

With such an eventuality in mind, the government envisages extending the session until Nov. 20 to allow the Lower House to readopt the legislation 60 days after the legislation cleared the lower chamber in accordance with a constitutional provision.

The New Komeito is reluctant to use the overriding-vote approach for fear of its negative impact on the next general election.

Some LDP members share the New Komeito's view. It is unclear whether the ruling parties can unite on extending the session that would ensure the legislation's passage.

10) Extra Diet session: LDP, New Komeito seek consultations with opposition camp, which refuses to reply on the Indian Ocean refueling mission

NIKKEI (Page 2) (Full)  
August 28, 2008

Liberal Democratic Party (LDP) Diet Affairs Committee Chairman Tadamori Oshima and New Komeito Diet Affairs Committee Chairman Yoshio Urushibara met yesterday respectively with their counterparts of the four opposition parties in succession to discuss the upcoming extraordinary Diet session, which will be convened on Sept. 12. Although Oshima and Urushibara called for consultations between the ruling and opposition camps on a bill extending Japan's refueling mission in the Indian Ocean, as well as on a package of economic stimulus measures, the opposition side refused to reply. In the main opposition Democratic Party of Japan (DPJ), a view is emerging calling for intensive deliberations on the issue of Agriculture,

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Forestry and Fisheries Minister Seiichi Ota's office expenditures. A tug-of-war has already started between the ruling and opposition camps.

Oshima and Urushibara cited as key Diet issues: 1) a package of economic stimulus measures and supplementary budget, 2) extending the refueling law, 3) establishing a consumer affairs agency, and 3) enacting bills carried over from the previous Diet session. They said they wanted to deliberate on these issues with the opposition side in a serious manner. With an eye on each party's representative interpellations in both chambers of the Diet for Sept. 16-17, they told their opposition counterparts that the ruling camp planned to carry them out as early as possible. The opposition side, however, failed to give any responses.

Later in the day, DPJ Diet Affairs Committee Chairman Kenji Yamaoka and People's New Party Diet Affairs Committee Chairman Masaaki Itokawa agreed to call for resignation of Agriculture Minister Ota. Regarding the timetable for the each party's representative interpellations, Yamaoka said that the session should be held after Sept. 21, the day for the DPJ presidential election, but Itokawa insisted that the ruling camp's idea be accepted in order to increase opportunities to pursue the government and ruling camp. They failed to find common ground. The four opposition parties will hold a meeting on Sept. 29 of their Diet affairs committee chiefs to coordinate strategy for the extra Diet session.

11) LDP's Oshima hints of options other than simple extension of refueling operation

NIKKEI (Page 2) (Full)  
September 28, 2008

When asked by reporters about a bill extending Japan's refueling operation in the Indian Ocean, one of the key agenda items at the upcoming extraordinary Diet session, Liberal Democratic Party (LDP) Diet Affairs Committee Chairman Tadamori Oshima said yesterday: "The ruling parties will discuss it from a variety of different angles. If we reach an agreement, there would be (no simple extension)." He indicated in his remarks that there may be an option other than a simple extension, which the government is now preparing to enact, based on conditions to be agreed between the LDP and its coalition partner New Komeito.

12) Space use eyed for defense

YOMIURI (Page 2) (Abridged)  
August 28, 2008

The Space Law, which lifts Japan's self-imposed ban on its use of space for defense and incorporates industrial development and other purposes, came into effect yesterday. The Defense Ministry has decided to set up a space technology planning office at the Technical Research and Development Institute. The ministry yesterday reported it to the ruling Liberal Democratic Party at a joint meeting of its defense and relevant divisions in order to study technologies usable in space for defense.

The now-enforced law stipulates that the government will set up a space development strategy headquarters, which is to be headed by the prime minister, and will formulate a basic plan for space development and use.

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The government has so far limited Japan's use of space to nonmilitary purposes in conformity with a Diet resolution. The law redefines Japan's space use as being based on the United Nations Outer Space Treaty's nonaggressive principle and the Constitution's pacifism. This redefinition will now make it possible for Japan to launch early warning satellites designed to monitor missile launches at all times. In addition, Japan can also launch high-performance reconnaissance satellites and communication satellites.

In July, the Defense Ministry set up a space and ocean policy office. In addition, the Defense Ministry is also planning to create an in-house committee, headed by its senior vice minister, to explore space utilization. Meanwhile, the ministry will work out a new midterm defense buildup program next year. For this new defense program, the ministry will work out a space utilization plan in concrete terms. Moreover, it will also earmark in its budgetary estimate for fiscal 2009 costs for research on technologies applicable to the defense area.

The Self-Defense Forces, according to a senior Defense Ministry official, has so far gone no further than to use space "mainly as a user of commercial satellites," excluding space technologies related to missile defense and intelligence-gathering satellites. It therefore took more than a year to lay down a network of encoded communications for operational intelligence when the Ground Self-Defense Force was sent to Iraq, according to ministry officials.

Meanwhile, the LDP envisions Japan's defense and space utilization, aiming to introduce early warning satellites, reconnaissance satellites, and communication satellite systems by 2015.

13) Six U.S. carrier members disciplined for fire

ASAHI (Page 38) (Full)  
August 28, 2008

In connection with the fire aboard the nuclear aircraft carrier USS George Washington in May, six crewmembers have been disciplined for safety violations and professional negligence, according to informed sources yesterday. The carrier is slated to be deployed at the U.S. Yokosuka Navy Base in Yokosuka, Kanagawa Prefecture, in late September. According to the U.S. Navy, a cigarette ignited 90 gallons (about 340 liters) of oil for air conditioners that was on a site different from the designated storage site.

14) Japan, U.S., Europe secretly agreed to defend falling dollar during March financial crisis: Prepared concerted intervention

NIKKEI (Top Play) (Excerpts)  
August 28, 2008

The Nihon Keizai Shimbun has discovered that with the dollar plunging due to the financial crisis in the U.S. triggered by the subprime mortgage debacle, monetary authorities of the U.S. Europe and Japan secretly agreed to defend the dollar through concerted currency intervention to buy dollars. Their aim was to prevent the plunging value of the dollar from creating havoc in the global economy. They also prepared an emergency joint statement aimed at stabilizing the exchange market. U.S. President Bush was cautious about currency intervention, but he apparently felt he had no choice

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but to change his policy in the face of a serious trend of investors moving away from the dollar. It is almost unprecedented for the U.S. to take the lead in a move to defend the dollar. The dollar crisis is still lingering due to financial troubles for housing companies in the U.S. Chances are that currency officials of those countries might search for cooperation again.

Sense of crisis concerning key currency

According to several international monetary sources, currency officials of those countries started boiling down measures to defend the dollar in mid-March, when the financial troubles at U.S. investment bank Bear Stearns Cos. surfaced, triggering renewed concerns about the financial system. The dollar and stocks had continued to plunge. In response to the wishes of the U.S., which was increasingly alarmed about the situation, currency officials of the U.S., Japan and Europe held telephone talks on the weekend of March 15-16. They coordinated views on ways for concerted currency intervention.

Gist of agreement among Japan, U.S. and Europe

? In the event of a decision being reached that there is a strong fear of the dollar taking a nosedive, concerted intervention should be carried out.  
? Consider issuing an emergency statement through the Group of Seven industrialized nations.  
? Japan supplies yen funds to the U.S. for yen-selling and dollar-buying.

15) Japan, China, South Korea and ASEAN to confer on EPA: Economic ministerial today

NIKKEI (Page 5) (Full)  
August 28, 2008

Japan, China, South Korea and the Association of Southeast Asian Nations (ASEAN) will hold an economic ministerial in Singapore today, August 28. Participants will discuss an economic partnership agreement (EPA) covering East Asia and measures to address the steep rise in crude oil and food prices. Economy, Trade and Industry Minister Toshihiro Nikai, who will represent Japan, is expected to propose holding a symposium in Tokyo in December to discuss the impact of the surging crude oil and food prices on East Asia.

Concerning the widespread development of the Mekong region, which straddles Thailand and Vietnam and which Japan characterizes as a hub in the broad-based development of East Asia, Nikai will announce a policy of holding an international conference under the auspices of the Economic Research Institute for ASEAN and East Asia (ERIA),



an international think-tank, in Phnom Penh in October.

Automobile plants are concentrated in Bangkok, Thailand. Many Japanese electronic manufacturers are operating in Ho Chi Minh City, Vietnam. However, the road network linking the two cities is poor. The Japanese government believes that the consolidation of a distribution network and a power-supply system will greatly spur trade and investment in the region.

Nikai will stress the need to resume the multilateral trade liberalization talks (Doha Round) under the World Trade Organization (WTO). He will call on participating countries to aim at reaching a

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consensus on rules for liberalization of trade in the mined and manufactured, and agricultural areas before year's end.

The meeting will be held under three frameworks -- Japan and ASEAN, ASEAN plus 3 (Japan, China and South Korea) and ASEAN plus 6 (Japan, China, South Korea, India, Australia and New Zealand).

16) Coordination of views between government, ruling parties about comprehensive economic stimulus package reach final stage: Battle over fixed-rate tax break; Gap between LDP, New Komeito remains wide

NIKKEI (Page 2) (Excerpts)  
August 28, 2008

The government and the ruling parties on August 27 continued to coordinate views on a comprehensive economic stimulus package to be readied by end of the month. The New Komeito pressed for the inclusion of a fixed-rate tax cut for low and middle income earners. However, the government and the Liberal Democratic Party (LDP) were cautious about the proposal. The gulf remains wide between the two parties. Maneuvering between the two sides is likely continue until the package is formally adopted on the evening of the 29th.

The LDP and the New Komeito on the afternoon of the 27th held a meeting of policy chiefs in the Diet to discuss the specifics of the package. According to one participant, State Minister for Economic and Fiscal Policy Kaoru Yosano revealed a plan to indicate the scale of items contained in the package and the amount of real spending - direct spending from the budget. He did not rule out the possibility of issuing deficit-covering government bonds.

The New Komeito repeatedly called for the inclusion of a fixed-rate tax break, noting that the package must have a perspective of relieving the burdens of middle and low income earners, who are facing difficulties due to soaring prices. The LDP opposed the proposal, noting that the matter should be discussed in the year-end annual tax code revision. However, the New Komeito rebutted this counterproposal, saying that it was too late. The meeting, which lasted nearly two hours, ended without reaching a conclusion.

The New Komeito is taking an aggressive approach, because it is aiming for dissolution of the Lower House and a snap election around the end of the year or beginning of the next. Commenting on a fixed-rate tax break, Policy Research Council Chairman Natsuo Yamaguchi flatly said, "We will tackle this issue with serious resolve." Other senior officials have also took a bullish stance with one noting: "If we fail to realize a fixed-rate tax break, our party will have difficulty in the next Lower House election. We should pursue talks with the LDP, even hinting at the possibility of our pulling out of the coalition."

ZUMWALT